

City of Whitehall

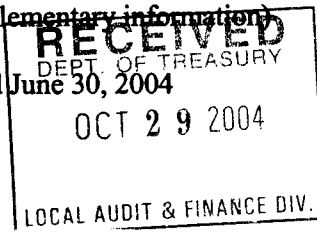
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**REPORT ON FINANCIAL STATEMENTS**

(with required supplementary information)

Year ended June 30, 2004

deficit



# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Whitehall</b>	County <b>Muskegon</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>10/4/04</b>	Date Accountant Report Submitted to State: <b>10/28/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Accounting Manual for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Brickley DeLong PLC</b>			
Street Address <b>500 Terrace Plaza</b>	City <b>Muskegon</b>	State <b>MI</b>	ZIP <b>49443</b>
Accountant Signature <i>Timothy J. Carter, C.P.A. for Brickley DeLong, PLC</i>		Date <b>10/27/04</b>	

City of Whitehall  
**LIST OF ELECTED AND APPOINTED OFFICIALS**  
June 30, 2004

**ELECTED OFFICIALS**

Mayor ..... Emery Hatch  
Mayor Pro Tem ..... Steve Sikkenga  
City Council ..... Jeff Holmstrom  
   Elizabeth Mahoney  
   Orville Smith  
   Roger Westrate  
   Edd Whalen

**APPOINTED OFFICIALS**

City Manager ..... Scott K. Huebler  
City Clerk ..... Karen Helmlinger  
Finance Officer/Treasurer ..... Laurie Audo

City of Whitehall

TABLE OF CONTENTS

List of Elected and Appointed Officials	
Management's Discussion and Analysis .....	i - viii
Independent Auditors' Report .....	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets .....	3
Statement of Activities .....	4
Fund Financial Statements	
Balance Sheet—Governmental Funds .....	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	6
Statement of Revenues, Expenditures and Changes in Fund Balances —Governmental Funds .....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	8
Statement of Net Assets—Enterprise Funds .....	9
Statement of Revenues, Expenses and Changes in Net Assets— Enterprise Funds .....	10
Statement of Cash Flows—Enterprise Funds .....	11
Statement of Fiduciary Net Assets .....	12
Statement of Changes in Fiduciary Net Assets .....	13
Component Units	
Statement of Net Assets .....	14
Statement of Activities .....	15
Notes to Financial Statements .....	16
Required Supplemental Information	
Budgetary Comparison Schedule—General Fund .....	37
Budgetary Comparison Schedule—Street Improvement Fund .....	38
Other Supplemental Information	
Statements of Other Governmental Funds	
Balance Sheet .....	40
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) .....	41
Statistical Section (unaudited)	
Schedule of Operating Statistics .....	43
Comparative Operating Statistics—Water and Sewer System .....	44

**City of Whitehall**  
**Management Discussion and Analysis**  
**June 30, 2004**

As management of the City of Whitehall, we present to the readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2004. We encourage you to consider the information presented in the financial statements along with the additional information furnished in this letter.

**FINANCIAL HIGHLIGHTS**

The assets of the City exceeded liabilities of \$2,414,850 at the close of the fiscal year by \$20,075,816 (net assets). Of this amount, \$4,754,626 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$9,526,298. The business type activities added \$949,185 to net assets and ended the year with \$10,549,518.

The Brownfield Redevelopment Authority was the only fund with a deficit at year end.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components - government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide statements mentioned above distinguish functions of the City are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities).

The governmental activities of the City include general government, public safety, public works, health, welfare and sanitation, community and economic development and cultural and recreational activities. The business-type activities of the City include water wells and water distribution, sewer services and the marina.

The government-wide financial statements include not only the primary government but also the legally separate entities - the Tax Increment Finance Authority (TIFA), Local Development Finance Authority (LDFA) and Brownfield Redevelopment Authority (BRA). The boards of these organizations are appointed by the City Council. Given the interrelation of the two, there is some potential liability for the City due to the pledge of its full faith and credit for debt obligations. The financial information of these component units is reported in a separate column from the financial information of the primary government.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories - governmental, proprietary, and fiduciary.

**Government Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources, uses, and balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the short term financing decisions. The governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, street improvement fund, and the Warner/Zeller fund, which are all considered major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds** - The City has enterprise and internal service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds are used to account for the sewer, water, and marina operations. The internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The City uses its internal fund to charge the costs of equipment used to the individual funds. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for sewer, water, and marina funds all of which are major funds. The internal service fund is presented in its own column in the propriety funds financial statements.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

### Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund and Street Improvement Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The first table presented is a summary of the government-wide statement of net assets for the City. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, the City's net assets from governmental activities totaled \$9,526,298 (47%) and \$10,549,518 (53%) from business-type activities, creating a total government-wide net asset total of \$20,075,816. Since this is the first year the City has prepared financial statements following GASB 34, comparisons to fiscal year 2003 are not available.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

TABLE 1  
CITY OF WHITEHALL NET ASSETS

	Governmental Activities 2004	Business-type Activities 2004	Total
<u>Assets</u>			
Current	\$ 2,298,510	\$ 3,480,537	\$ 5,779,048
Restricted		127,399	127,399
Capital assets and other noncurrent assets	<u>8,197,670</u>	<u>8,386,550</u>	<u>16,584,219</u>
<b>Total</b>	<b><u>10,496,180</u></b>	<b><u>11,994,486</u></b>	<b><u>22,490,666</u></b>
<u>Liabilities</u>			
Current	170,162	242,342	412,504
Noncurrent	<u>799,720</u>	<u>1,202,626</u>	<u>2,002,346</u>
<b>Total</b>	<b><u>969,882</u></b>	<b><u>1,444,968</u></b>	<b><u>2,414,850</u></b>
<u>Net Assets</u>			
Capital, Net of Debt	7,527,651	7,080,415	14,608,065
Restricted	585,726	127,399	713,125
Unrestricted	<u>1,412,921</u>	<u>3,341,704</u>	<u>4,754,626</u>
<b>Total net assets</b>	<b><u>\$ 9,526,298</u></b>	<b><u>\$ 10,549,518</u></b>	<b><u>\$ 20,075,816</u></b>

#### Governmental Activities

Governmental activities increased the City's net assets by \$463,530, accounting for 33% of the total growth in net assets. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.



**Business-type activities**

At the end of the fiscal year, the net assets for business-type activities increased by \$949,185 or 67% of the total growth in net assets. This is most clearly represented by the excess in revenue over expenditures of \$570,361 and capital grants and contributions of \$378,824. Three funds comprise the business-type activities. The sewer, water and marina funds experienced an increase in net assets for the year.

**TABLE 2  
CITY OF WHITEHALL CHANGES IN NET ASSETS**

	Governmental Activities 2004	Business-type Activities 2004	Component Units 2004	Total
<b>Revenues</b>				
<b>Program</b>				
Charges for Services	\$ 156,664	\$ 1,807,116	\$ -	\$ 1,963,780
Operating Grants	25,967	-	-	25,967
Capital Grants	660,048	378,824	-	1,038,872
<b>General</b>				
Property taxes	1,015,432	-	1,138,582	2,154,014
Grants/Contributions	869,315	-	-	869,315
Investment Earnings	36,757	17,600	6,880	61,237
Miscellaneous	31,306	-	-	31,306
Gain (Loss) on Sales	(12,064)	-	15,030	2,966
<b>Total</b>	<b>2,783,425</b>	<b>2,203,540</b>	<b>1,160,492</b>	<b>6,147,457</b>
<b>Expenses</b>				
General Government	505,126	-	63,314	568,440
Public Safety	733,690	-	-	733,690
Public Works	857,938	-	243,249	1,101,187
Health and Welfare	30,089	-	-	30,089
Culture and Recreation	125,158	-	-	125,158
Econ. Development	18,512	-	-	18,512
Other	9,656	-	1,182,074	1,191,730
Interest	39,726	-	57,509	97,235
Sewer Fund	-	613,007	-	613,007
Water Fund	-	481,264	-	481,264
Marina Fund	-	160,084	-	160,084
<b>Total</b>	<b>2,319,895</b>	<b>1,254,355</b>	<b>1,546,146</b>	<b>5,120,396</b>
Increase in Net Assets	463,530	949,185	(385,654)	1,027,061
Net Assets – 7/1/03	9,062,768	9,600,333	452,894	19,115,995
<b>Net Assets – 6/30/04</b>	<b>\$ 9,526,298</b>	<b>\$ 10,549,518</b>	<b>\$ 67,240</b>	<b>\$ 20,143,056</b>

### FINANCIAL ANALYSIS

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2004 fiscal year, the governmental funds reported a combined fund balance of \$1,903,816. Of this number, \$1,235,613 represents the unreserved fund balance, comprised of \$873,651 in the General Fund, \$5,611 in the Street Improvement Fund, and \$356,351 in other governmental funds. It is necessary to further distinguish between unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders (\$18,279), capital purchases (\$311,801), and reserves for perpetual care (\$338,123).

The General Fund is the chief operating fund of the City. At the end of 2004, the unreserved General Fund balance was \$873,651 and the total General Fund balance was \$891,930. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 38% of the general fund expenditures.

#### **Proprietary Funds**

The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net assets of the Sewer Fund at the end of the year increased by \$246,658. The Water Fund increased by \$404,505 and the Marina Fund increased by \$294,979. The result was an overall net increase in the proprietary funds of \$946,142.

#### **General Fund Budget**

Some amendments were made to the original budget during the fiscal year. General Fund revenues were reduced in state shared revenues, cable TV franchise fees, and interest earnings. Revenues were increased for an Alcoa grant, reimbursement of pathway maintenance costs, sale of fixed assets, and insurance claim reimbursements. Increases in expenses occurred for the grant, pollution control legal fees, pathway activity, and transfers to the street improvement fund and the leaf removal fund.

General Fund revenues were not received for the pathway grant. A transfer from the Sewer Fund and the Alcoa grant were less than budgeted. Salaries in administration, planning, and police were down because positions were not filled or were eliminated during the year. Planned alley maintenance, sanitation, and pathway maintenance projects were not all completed. Budget transfers were not made to the Motor Pool Fund.

### Capital Assets Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004 totaled \$15,937,228 (net of accumulated depreciation). Investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, and vehicles.

Major capital asset events during the current fiscal year included the completion of a downtown project and the beginning of an expansion to the industrial park. Construction in progress increased the business type activities due to the infrastructure related to the expansion.

TABLE 3  
CITY OF WHITEHALL CAPITAL ASSETS  
Net of Accumulated Depreciation

	Governmental Activities 2004	Business-type Activities 2004	Total
Land	\$ 936,128	\$ 349,643	\$ 1,285,771
Land Improvements	361,985	285,129	647,114
Buildings	871,398	470,574	1,341,972
Infrastructure	5,652,255	6,550,763	12,203,018
Equipment	356,477	102,876	459,353
<b>Total</b>	<b><u>\$ 8,178,243</u></b>	<b><u>\$ 7,758,985</u></b>	<b><u>\$ 15,937,228</u></b>

### Long Term Debt

At the end of the fiscal year, the City had total outstanding debt of \$2,205,346 consisting of general obligation bonds, revenue bonds, installment purchase agreements, and accumulated compensated absences. The general obligation debt of \$425,000 in governmental funds and \$1,395,000 in the component units are backed by the full faith and credit of the City. The City is also liable for a \$25,000 special assessment debt in the event of default by the property owners subject to the assessment. There are also installment purchases of \$35,853 for the ambulance building and \$164,739 for the Kelly property on Lake Street. The remainder of the debt represents bonds secured solely by specified revenue sources.

### ECONOMIC FACTORS AND NEXT YEARS BUDGET

The General Fund has three major revenue sources - state shared revenue, property taxes and contributions from TIFA and LDFA. These three comprised over 87% of the general fund revenue. In fiscal year 2004/05, State shared revenue is expected to decline, Property tax revenues are expected to increase by approximately 6% and TIFA and LDFA contributions are expected to increase but are subject to change.

The City has undertaken a number of measures to offset flat or declining revenues such as reducing expenditures, reduced staffing, and changes in health care plans. Most significantly has been the removal of statutory state shared revenue from operational expenditures. The budgeted amount will be used for capital expenditures and thus not jeopardize basic services should the State legislature act to continue eroding or outright eliminate this source of funding.

The General Fund Budget remained relatively unchanged for fiscal year 2004/05 with a 1% reduction in expenditures. It will again be drawing down on fund balance for the third year in a row. The Fund will be left with an adequate fund balance at 33% of expenses. Expenses increased in elections to reflect the presidential year election and in city hall for the placement of a scrolling marquee sign to replace the banner poles spanning Colby Street. Costs were reduced in downtown streetscape for routine maintenance and in transfer out.

The City Council and staff remain optimistic that the City's economic stability will be further enhanced by several projects in various stages of development. These include the redevelopment of the old tannery, expansion of the industrial park, and development of the Evergreen subdivision.

The City's business-type activities have not experienced the same severe revenue losses as the governmental activities funds. Service rates for sewer and water will remain the same for next year. Marina rates are subject to approval by the Michigan Waterways Commission. The Sewer Fund will incur additional costs in fiscal year 2004/05 due to the demolition of the old treatment plant and a rate increase from the Muskegon County Wastewater Treatment Plant. The Water Fund is working towards constructing a new well. Current savings will be used to pay for these major expenditures.

#### ***Requests for Information***

*This financial report is designed to provide a general overview of the City of Whitehall's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Whitehall, 405 East Colby Street, Whitehall, Michigan, 49461, (231) 894-4048.*

# BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

October 4, 2004

Honorable Mayor and Members  
of the City Council  
City of Whitehall  
Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehall as of and for the year ended June 30, 2004, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Whitehall's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitehall, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the City of Whitehall has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages i through viii and 37 through 44 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

BRICKLEY DeLONG

City Council  
October 4, 2004  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Whitehall's basic financial statements. The combining nonmajor governmental funds financial statements and statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Brickley DeLong, PLC*

City of Whitehall  
STATEMENT OF NET ASSETS  
June 30, 2004

ASSETS

	Governmental activities	Business-type activities	Total	Component units
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 2,109,453	\$ 3,040,677	\$ 5,150,130	\$ 556,295
Receivables	-	342,501	342,501	-
Internal balances	(599)	599	-	-
Due from component unit	10,000	-	10,000	-
Due from other governmental units	149,612	50,427	200,039	-
Inventories	11,765	46,334	58,099	-
Prepaid items	18,279	-	18,279	-
Total current assets	2,298,510	3,480,538	5,779,048	556,295
<b>RESTRICTED ASSETS</b>	-	127,399	127,399	524,396
<b>NONCURRENT ASSETS</b>				
Capital assets, net	8,178,243	7,758,985	15,937,228	719,404
Access rights, net	-	608,560	608,560	-
Bond issue costs, net	-	19,004	19,004	17,451
Special assessments	19,427	-	19,427	-
Total noncurrent assets	8,197,670	8,386,549	16,584,219	736,855
Total assets	10,496,180	11,994,486	22,490,666	1,817,546

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	69,610	94,953	164,563	327,692
Due to other governmental units	-	853	853	10,000
Customer deposits	-	10,393	10,393	-
Deferred revenue	10,957	-	10,957	-
Bonds, capital leases and contracts, due within one year	78,000	125,000	203,000	240,000
Accrued interest, due within one year	11,595	11,143	22,738	17,614
Total current liabilities	170,162	242,342	412,504	595,306
<b>NONCURRENT LIABILITIES</b>				
Bonds, capital leases and contracts, less amounts due within one year	572,592	1,162,130	1,734,722	1,155,000
Compensated absences	227,128	40,496	267,624	-
Total noncurrent liabilities	799,720	1,202,626	2,002,346	1,155,000
Total liabilities	969,882	1,444,968	2,414,850	1,750,306
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	7,527,651	7,080,414	14,608,065	548,800
Restricted for:				
Capital projects	247,603	-	247,603	-
Debt service	-	127,399	127,399	-
Perpetual care	338,123	-	338,123	-
Unrestricted	1,412,921	3,341,705	4,754,626	(481,560)
Total net assets (deficit)	\$ 9,526,298	\$ 10,549,518	\$ 20,075,816	\$ 67,240

The accompanying notes are an integral part of this statement.

City of Whitehall  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2004

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Total Component units
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary Government Business-type activities	Total	
Primary government								
Governmental activities								
General government	\$ 505,126	\$ 78,370	\$ -	\$ -	\$ (426,756)	\$ -	\$ (426,756)	\$ (63,314)
Public safety	733,690	30,057	22,820	-	(680,813)	-	(680,813)	-
Public works	857,938	48,237	-	660,048	(149,653)	-	(149,653)	(243,249)
Health, welfare and sanitation	30,089	-	-	-	(30,089)	-	(30,089)	-
Culture and recreation	125,158	-	-	-	(125,158)	-	(125,158)	-
Community and economic development	18,512	-	-	-	(18,512)	-	(18,512)	-
Other governmental functions	9,656	-	-	-	(9,656)	-	(9,656)	(1,182,074)
Interest on long-term debt	39,726	-	3,147	-	(36,579)	-	(36,579)	(57,509)
Total governmental activities	2,319,895	156,664	25,967	660,048	(1,477,216)	-	(1,477,216)	(1,546,146)
Business-type activities								
Sewer	613,007	783,254	-	82,189	-	252,436	252,436	-
Water	481,265	750,754	-	115,381	-	384,870	384,870	-
Marina	160,084	273,108	-	181,254	-	294,278	294,278	-
Total business-type activities	1,254,356	1,807,116	-	378,824	-	931,584	931,584	-
Total primary government	\$ 3,574,251	\$ 1,963,780	\$ 25,967	\$ 1,038,872	(1,477,216)	931,584	(545,632)	-
Component units								
TIFA	\$ 907,264	\$ -	\$ -	\$ -	-	-	-	(907,264)
LDFA	628,511	-	-	-	-	-	-	(628,511)
Brownfield Redevelopment Authority	10,371	-	-	-	-	-	-	(10,371)
Total component units	\$ 1,546,146	\$ -	\$ -	\$ -	-	-	-	(1,546,146)
General revenues								
Property taxes					1,015,432	-	1,015,432	1,138,582
Grants and contributions not restricted to specific programs					869,315	-	869,315	-
Unrestricted investment earnings					36,757	17,601	54,358	6,880
Miscellaneous					31,306	-	31,306	-
Gain (loss) on sale of fixed asset					(12,064)	-	(12,064)	15,030
Total general revenues and special items					1,940,746	17,601	1,958,347	1,160,492
Change in net assets					463,530	949,185	1,412,715	(385,654)
Net assets at July 1, 2003					9,062,768	9,600,333	18,663,101	452,894
Net assets at June 30, 2004					\$ 9,526,298	\$ 10,549,518	\$ 20,075,816	\$ 67,240

The accompanying notes are an integral part of this statement.



City of Whitehall  
BALANCE SHEET  
Governmental Funds  
June 30, 2004

	General Fund	Street Improvement Fund	Warner Zeller Fund	Other governmental funds	Total governmental funds
<b>ASSETS</b>					
Cash and investments	\$ 814,334	\$ 6,111	\$ 64,198	\$ 898,843	\$ 1,783,486
Special assessments	-	-	-	19,427	19,427
Due from other governmental units	103,334	-	-	46,222	149,556
Due from other funds	20,043	-	-	-	20,043
Due from component unit	10,000	-	-	-	10,000
Prepaid items	18,279	-	-	-	18,279
Total assets	<u>\$ 965,990</u>	<u>\$ 6,111</u>	<u>\$ 64,198</u>	<u>\$ 964,492</u>	<u>\$ 2,000,791</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 37,437	\$ 500	\$ -	\$ 496	\$ 38,433
Accrued liabilities	25,666	-	-	2,492	28,158
Deferred revenue	10,957	-	-	19,427	30,384
Total liabilities	74,060	500	-	22,415	96,975
<b>Fund balances</b>					
Reserved for:					
Prepaid items	18,279	-	-	-	18,279
Capital projects	-	-	64,198	247,603	311,801
Perpetual care	-	-	-	338,123	338,123
Unreserved	873,651	5,611	-	356,351	1,235,613
Total fund balances	<u>891,930</u>	<u>5,611</u>	<u>64,198</u>	<u>942,077</u>	<u>1,903,816</u>
Total liabilities and fund balances	<u>\$ 965,990</u>	<u>\$ 6,111</u>	<u>\$ 64,198</u>	<u>\$ 964,492</u>	<u>\$ 2,000,791</u>

The accompanying notes are an integral part of this statement.

City of Whitehall  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2004

Total fund balance—governmental funds \$ 1,903,816

Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 12,341,647	
Accumulated depreciation	<u>(4,664,363)</u>	7,677,284

Other receivables in governmental activities is not reported in the governmental funds 19,427

Long-term liabilities in governmental activities are not due and payable in the current period  
and are not reported in the governmental funds.

Long-term liabilities	(650,592)	
Compensated absences	<u>(219,825)</u>	(870,417)

Accrued interest in governmental activities is not reported in the governmental funds. (11,595)

Internal service funds are used by management to charge the costs of equipment and  
information system costs to individual funds. The assets and liabilities of the internal  
service funds are included in the governmental activities in the statement of net assets.

807,783

Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>9,526,298</u></u>
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The accompanying notes are an integral part of this statement.

City of Whitehall  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended June 30, 2004

	General Fund	Street Improvement Fund	Warner Zeller Fund	Other governmental funds	Total governmental funds
<b>REVENUES</b>					
Property taxes	\$ 1,015,432	\$ -	\$ -	\$ -	\$ 1,015,432
Licenses and permits	18,570	-	-	-	18,570
Intergovernmental revenues					
Federal	17,043	-	208,364	-	225,407
State	318,498	-	163,715	285,431	767,644
Local	301,679	287,969	-	22,574	612,222
Charges for services	62,492	-	-	47,470	109,962
Fines and forfeitures	14,057	-	-	-	14,057
Investment earnings	18,705	132	611	15,567	35,015
Other	6,964	-	-	7,902	14,866
Total revenues	1,773,440	288,101	372,690	378,944	2,813,175
<b>EXPENDITURES</b>					
Current					
General government	428,468	-	-	-	428,468
Public safety	660,321	-	-	25,960	686,281
Public works	116,189	-	-	294,058	410,247
Health and sanitation	30,117	-	-	-	30,117
Community and economic development	18,512	-	-	-	18,512
Culture and recreation	121,604	-	-	-	121,604
Other governmental functions	9,656	-	-	-	9,656
Debt service					
Principal	6,612	-	-	66,254	72,866
Interest and fees	2,617	-	-	39,100	41,717
Capital outlay	30,747	547,311	518,031	7,860	1,103,949
Total expenditures	1,424,843	547,311	518,031	433,232	2,923,417
Excess of revenues over (under) expenditures	348,597	(259,210)	(145,341)	(54,288)	(110,242)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of fixed assets	4,722	-	-	-	4,722
Operating transfers in	-	189,685	-	275,668	465,353
Operating transfers out	(287,600)	(16,802)	-	(160,951)	(465,353)
Total other financing sources (uses)	(282,878)	172,883	-	114,717	4,722
Net change in fund balances	65,719	(86,327)	(145,341)	60,429	(105,520)
Fund balances at July 1, 2003	826,211	91,938	209,539	881,648	2,009,336
Fund balances at June 30, 2004	\$ 891,930	\$ 5,611	\$ 64,198	\$ 942,077	\$ 1,903,816

The accompanying notes are an integral part of this statement.

City of Whitehall  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2004

Net change in fund balances—total governmental funds: \$ (105,520)

Amounts reported for governmental activities in the Statement of Activities are  
different because:

Revenue reported in the Statement of Activities that does not provide current financial resources  
are not reported as revenue in the governmental funds. (19,426)

Governmental funds report outlays for capital assets as expenditures in the Statement of Activities;  
these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (486,948)	
Capital outlay	<u>1,066,144</u>	579,196

Proceeds from the sale of fixed assets are reported as revenues in the governmental funds;  
proceeds are netted against net book value in the Statement of Activities and a net resulting  
gain or loss is recorded. (16,782)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the Statement of Net Assets. 72,864

Accrued interest on long-term debt is recorded in the Statement of Activities when incurred,  
but is not reported in the governmental funds until paid. 1,991

Increases in the compensated absences are reported on the accrual method in the Statement  
of Activities and reported as expenditures when financial resources are used in the governmental funds. (56,325)

The internal service fund is used by management to charge the costs of equipment and  
information system costs to individual funds.

The net revenue of certain activities of internal service funds is reported with governmental  
activities. 7,532

Change in net assets of governmental activities \$ 463,530

The accompanying notes are an integral part of this statement.

City of Whitehall  
STATEMENT OF NET ASSETS  
Proprietary Funds  
June 30, 2004

ASSETS

	Enterprise funds				Internal service funds
	Sewer	Water	Marina	Total	
<b>CURRENT ASSETS</b>					
Cash and investments	\$ 1,509,033	\$ 1,387,834	\$ 143,810	\$ 3,040,677	\$ 325,966
Accounts receivable	194,146	162,520	1,181	357,847	-
Due from other funds	33	19,050	-	19,083	1,451
Due from other governmental units	-	-	35,081	35,081	56
Inventories	-	33,434	12,900	46,334	11,765
Total current assets	1,703,212	1,602,838	192,972	3,499,022	339,238
<b>RESTRICTED ASSETS</b>	75,211	52,188	-	127,399	-
<b>NONCURRENT ASSETS</b>					
Capital assets, net					
Plants and systems	3,224,064	5,179,157	-	8,403,221	-
Buildings and improvements	313,570	341,148	474,835	1,129,553	410,121
Land improvements	-	-	523,536	523,536	-
Equipment	190,470	17,452	-	207,922	790,716
Land	-	4,223	345,420	349,643	-
Construction in progress	82,189	118,434	-	200,623	-
Less accumulated depreciation	(1,227,968)	(1,496,258)	(331,288)	(3,055,514)	(699,878)
Capital assets, net	2,582,325	4,164,156	1,012,503	7,758,984	500,959
Access rights, net of accumulated amortization	608,560	-	-	608,560	-
Bond issuance costs, net of accumulated amortization	11,677	7,328	-	19,005	-
Total noncurrent assets	3,202,562	4,171,484	1,012,503	8,386,549	500,959
Total assets	4,980,985	5,826,510	1,205,475	12,012,970	840,197

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>					
Accounts payable	48,701	23,325	15,029	87,055	1,788
Accrued expenses	8,230	9,047	2,616	19,893	8,533
Customer deposits	-	10,393	-	10,393	-
Due to other funds	-	21,527	-	21,527	19,050
Bonds, capital leases and contracts, due within one year	95,000	25,000	5,000	125,000	-
Total current liabilities	151,931	89,292	22,645	263,868	29,371
<b>NONCURRENT LIABILITIES</b>					
Bonds, capital leases and contracts, less amounts due within one year	771,130	380,000	11,000	1,162,130	-
Compensated absences	15,269	25,227	-	40,496	-
Total noncurrent liabilities	786,399	405,227	11,000	1,202,626	-
Total liabilities	938,330	494,519	33,645	1,466,494	29,371
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,324,755	3,759,156	996,503	7,080,414	500,959
Restricted for debt service	75,211	52,188	-	127,399	-
Unrestricted	1,642,689	1,520,647	175,327	3,338,663	309,867
Total net assets	\$ 4,042,655	\$ 5,331,991	\$ 1,171,830	10,546,476	\$ 810,826

The assets and liabilities of the Internal Service Fund are included in the fund financial statement, but some are included in the business activities of the Statement of Net Assets.

Total net assets per government-wide financial statements

3,043  
\$ 10,549,519

The accompanying notes are an integral part of this statement.

City of Whitehall  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Proprietary Funds  
 For the year ended June 30, 2004

	Enterprise funds				Internal service funds
	Sewer	Water	Marina	Total	
REVENUES					
Charges for services	\$ 745,364	\$ 726,873	\$ 158,004	\$ 1,630,241	\$ 202,305
OPERATING EXPENSES					
Operations	442,384	333,305	144,577	920,266	136,970
Depreciation and amortization	129,211	118,877	14,362	262,450	71,255
Total operating expenses	571,595	452,182	158,939	1,182,716	208,225
Operating income (loss)	173,769	274,691	(935)	447,525	(5,920)
NONOPERATING REVENUES (EXPENSES)					
Investment income	8,781	8,029	791	17,601	1,745
Connection fees	37,890	23,881	-	61,771	-
Capital grants and contributions	-	-	115,103	115,103	-
Interest expense	(42,601)	(30,847)	(1,234)	(74,682)	-
Total nonoperating revenue (expenses)	4,070	1,063	114,660	119,793	1,745
Income (loss) before contributions and transfers	177,839	275,754	113,725	567,318	(4,175)
Capital contributions	82,189	115,381	181,254	378,824	-
Transfers in	-	13,370	-	13,370	-
Transfers out	(13,370)	-	-	(13,370)	-
Gain on sale of equipment	-	-	-	-	14,750
Change in net assets	246,658	404,505	294,979	946,142	10,575
Total net assets at July 1, 2003	3,795,997	4,927,486	876,851	9,600,334	800,251
Total net assets at June 30, 2004	\$ 4,042,655	\$ 5,331,991	\$ 1,171,830	\$ 10,546,476	\$ 810,826
Change in net assets, per above				\$ 946,142	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				3,043	
Change in business-type activities in net assets per government-wide financial statements				\$ 949,185	

The accompanying notes are an integral part of this statement.

City of Whitehall  
STATEMENT OF CASH FLOWS  
Proprietary Funds  
For the year ended June 30, 2004

	Enterprise funds				Internal service funds
	Sewer	Water	Marina	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 752,021	\$ 736,397	\$ 157,655	\$ 1,646,073	\$ -
Receipts from interfund services provided	744	22,254	-	22,998	204,518
Payments to suppliers	(282,702)	(153,574)	(108,405)	(544,681)	(158,850)
Payments to employees	(135,691)	(168,203)	(34,054)	(337,948)	(63,510)
Internal activity—payments to other funds	(26,921)	(56,804)	(2,036)	(85,761)	19,050
Net cash provided by operating activities	307,451	380,070	13,160	700,681	1,208
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating subsidies and transfers to other funds	(13,370)	13,370	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	82,189	115,381	263,299	460,869	-
Proceeds from the sale of fixed assets	-	-	-	-	14,750
Purchases of capital assets	(94,537)	(172,816)	(263,744)	(531,097)	(16,437)
Principal and interest paid on capital debt	(87,318)	(208,547)	(6,567)	(302,432)	-
Other receipts	37,890	23,881	-	61,771	-
Net cash used for capital and related financing activities	(61,776)	(242,101)	(7,012)	(310,889)	(1,687)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Investment earnings	9,663	8,028	887	18,578	1,975
Net increase in cash and investments	241,968	159,367	7,035	408,370	1,496
Cash and investments at July 1, 2003	1,342,276	1,280,655	136,775	2,759,706	324,470
Cash and investments at June 30, 2004	\$ 1,584,244	\$ 1,440,022	\$ 143,810	\$ 3,168,076	\$ 325,966
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income	\$ 173,769	\$ 274,691	\$ (935)	\$ 447,525	\$ (5,920)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation expense	129,211	118,877	14,362	262,450	71,255
Change in assets and liabilities					
Receivables, net	7,999	30,660	(349)	38,310	-
Due from other governmental units	-	-	-	-	456
Due from other funds	(34)	(19,047)	-	(19,081)	2,213
Inventories	-	378	(4,856)	(4,478)	(2,944)
Accounts and other payables	147	(12,181)	4,943	(7,091)	(80,936)
Accrued expenses	(3,638)	(7,691)	(5)	(11,334)	(1,966)
Customer deposits	-	(1,118)	-	(1,118)	-
Due to other funds	(3)	(4,499)	-	(4,502)	19,050
Net cash provided by operating activities	\$ 307,451	\$ 380,070	\$ 13,160	\$ 700,681	\$ 1,208

The accompanying notes are an integral part of this statement.

City of Whitehall  
**STATEMENT OF FIDUCIARY NET ASSETS**  
 Fiduciary Funds  
 June 30, 2004

	<u>Pension Trust Fund</u>	<u>Agency Fund Tax Collection Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>476,976</u>	\$ <u>-</u>
 <b>NET ASSETS</b>		
Held in trust for pension benefits	\$ <u>476,976</u>	\$ <u>-</u>

The accompanying notes are an integral part of this statement.



City of Whitehall  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
Pension Trust Fund  
For the year ended June 30, 2004

<b>ADDITIONS</b>		
Contributions		
Employer	\$	22,096
Plan members		<u>40,446</u>
Total contributions		62,542
Investment earnings		
Net increase in fair value of investments		<u>49,335</u>
Total additions		111,877
<b>DEDUCTIONS</b>		
Benefits		6,475
Fees		<u>172</u>
Total deductions		<u>6,647</u>
Change in net assets		105,230
Net assets at July 1, 2003		<u>371,746</u>
Net assets at June 30, 2004	\$	<u><u>476,976</u></u>

The accompanying notes are an integral part of this statement.

City of Whitehall  
**STATEMENT OF NET ASSETS**  
 Component Units  
 June 30, 2004

	ASSETS			
	<u>TIFA</u>	<u>LDFA</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and investments	\$ 297,628	\$ 257,848	\$ 819	\$ 556,295
<b>RESTRICTED ASSETS</b>	-	524,396	-	524,396
<b>NONCURRENT ASSETS</b>				
Capital assets, net	145,568	573,836	-	719,404
Bond issue costs, net	<u>-</u>	<u>17,451</u>	<u>-</u>	<u>17,451</u>
Total noncurrent assets	<u>145,568</u>	<u>591,287</u>	<u>-</u>	<u>736,855</u>
Total assets	443,196	1,373,531	819	1,817,546
<b>LIABILITIES AND NET ASSETS (DEFICITS)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	3,626	322,877	1,189	327,692
Due to the primary government	-	-	10,000	10,000
Bonds, capital leases and contracts, due within one year	175,000	65,000	-	240,000
Accrued interest, due within one year	<u>8,725</u>	<u>8,889</u>	<u>-</u>	<u>17,614</u>
Total current liabilities	187,351	396,766	11,189	595,306
<b>NONCURRENT LIABILITIES</b>				
Bonds, less amounts due within one year	<u>525,000</u>	<u>630,000</u>	<u>-</u>	<u>1,155,000</u>
Total liabilities	<u>712,351</u>	<u>1,026,766</u>	<u>11,189</u>	<u>1,750,306</u>
<b>NET ASSETS (DEFICITS)</b>				
Invested in capital assets, net of related debt	145,568	403,232	-	548,800
Unrestricted	<u>(414,723)</u>	<u>(56,467)</u>	<u>(10,370)</u>	<u>(481,560)</u>
Total net assets	<u>\$ (269,155)</u>	<u>\$ 346,765</u>	<u>\$ (10,370)</u>	<u>\$ 67,240</u>

The accompanying notes are an integral part of this statement.

City of Whitehall  
**STATEMENT OF ACTIVITIES**  
 Component Units  
 For the year ended June 30, 2004

Functions/Programs Component Units	Net (Expense) Revenue and Changes in Net Assets					
	Primary Government					Total
	Expenses	Program Revenue	TIFA	LDFA	Brownfield Redevelopment Authority	
TIFA						
General government	\$ 35,174	\$ -	\$ (35,174)	\$ -	\$ -	\$ (35,174)
Public works	153,307	-	(153,307)	-	-	(153,307)
Interest on long-term debt	43,470	-	(43,470)	-	-	(43,470)
Other governmental function	675,313	-	(675,313)	-	-	(675,313)
Total TIFA	<u>907,264</u>	<u>-</u>	<u>(907,264)</u>	<u>-</u>	<u>-</u>	<u>(907,264)</u>
LDFA						
General government	17,769	-	-	(17,769)	-	(17,769)
Public works	89,942	-	-	(89,942)	-	(89,942)
Interest on long-term debt	14,039	-	-	(14,039)	-	(14,039)
Other governmental function	506,761	-	-	(506,761)	-	(506,761)
Total LDFA	<u>628,511</u>	<u>-</u>	<u>-</u>	<u>(628,511)</u>	<u>-</u>	<u>(628,511)</u>
Brownfield Redevelopment Authority	10,371	-	-	-	(10,371)	(10,371)
Total component units	<u>\$ 1,546,146</u>	<u>\$ -</u>	<u>(907,264)</u>	<u>(628,511)</u>	<u>(10,371)</u>	<u>(1,546,146)</u>
General revenues						
Property taxes			925,908	212,674	-	1,138,582
Unrestricted investment earnings			3,084	3,795	1	6,880
Miscellaneous			15,000	30	-	15,030
Total general revenues, special items, and transfers			<u>943,992</u>	<u>216,499</u>	<u>1</u>	<u>1,160,492</u>
Change in net assets			36,728	(412,012)	(10,370)	(385,654)
Net assets (deficit) at July 1, 2003			<u>(305,883)</u>	<u>758,777</u>	<u>-</u>	<u>452,894</u>
Net assets (deficit) at June 30, 2004			<u>\$ (269,155)</u>	<u>\$ 346,765</u>	<u>\$ (10,370)</u>	<u>\$ 67,240</u>

The accompanying notes are an integral part of this statement.

City of Whitehall  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Whitehall (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Effective July 1, 2003, the City and component units adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the City's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

	<u>City</u>	<u>Tax Increment Finance Authority</u>	<u>Local Downtown Finance Authority</u>
Fund balances at July 1, 2003— governmental funds	\$ 2,009,336	\$ 480,779	\$ 302,766
Capital assets, net	7,153,723	145,568	506,949
Internal service fund equity	800,251	-	-
Accrued liabilities	(13,586)	(12,230)	(938)
Long-term liabilities	(723,456)	(920,000)	(50,000)
Compensated absences	(163,500)	-	-
Restated net assets at July 1, 2003	<u>\$ 9,062,768</u>	<u>\$ (305,883)</u>	<u>\$ 758,777</u>

City of Whitehall  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**1. Reporting Entity**

The City of Whitehall (City) is a municipal corporation governed by an elected seven-member City Council which appoints one of its members as mayor and is administered by a city manager appointed by the City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

***Discretely presented component units***

The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year end. The discretely presented component units are as follows:

***Tax Increment Finance Authority (TIFA), Brownfield Redevelopment Authority (Brownfield), and Local Development Finance Authority (LDFA).*** The TIFA, Brownfield and LDFA boards are appointed by the City Council, but the Authorities operate as a separate entity. The boards can authorize and issue debt independent from the City. The component units are presented as governmental fund types.

The White Lake Ambulance Authority, White Lake Fire Authority, White Lake Area Solid Waste Authority, and White Lake Community Library are related organizations which are excluded financial reporting entities because the City's accountability does not extend beyond appointments and annual contributions. Audited financial statements are available from each entity.

**2. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Street Improvement Fund and the Warner Zeller Fund are used to improve the City's infrastructure.

The City reports the following two major proprietary funds:

The Sewer Fund operates the City's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

The Water Fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

The Pension Trust Fund accounts for the activities of the City's employees retirement plan, which accumulates resources for pension benefit payments.

Internal Service Fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**4. Assets, Liabilities and Net Assets or Equity**

**a. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the City's investment pool. All investments are stated at fair value.

City of Whitehall  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**b. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 state taxable value for real/personal property of the City totaled approximately \$101,100,000 of which approximately \$27,540,000 was captured by the component units. The ad valorem taxes levied consisted of 13.219 mills for the City's operating purposes. These amounts are recognized in the respective General Fund and TIFA.

**c. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out(FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**d. Restricted Assets**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.



City of Whitehall  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**e. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-40
Infrastructure	20-30
Land improvements	10-20
Equipment	5-10
Access rights	40

**f. Compensated Absences**

City employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year but can carry over a maximum of 20 days. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 180 days for employees. Unused accumulated sick leave is paid to employees who resign or retire, limited to 75 days. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**g. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**g. Long-Term Obligations—Continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**h. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**i. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first Monday of May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- c. Not later than the first Monday in June, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Council. All appropriations lapse at year end.

City of Whitehall  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**1. Budgetary Information—Continued**

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplemental budgetary appropriations throughout the year.

**2. Fund Deficit**

As of June 30, 2004, the City's Brownfield Redevelopment Authority had an undesignated fund deficit of \$10, 370. The deficit will be eliminated through future operations.

**NOTE C—DEPOSITS AND INVESTMENTS**

**1. Deposits**

The City's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of June 30, 2004, the City's and component units' carrying amount of deposits was \$371,074, and the bank balance was \$374,098. Of the bank balance, \$282,006 was covered by federal depository insurance. The remaining \$92,092 was uninsured and uncollateralized.

**2. Investments**

As of June 30, 2004, the City's and component units' investments represented holdings in treasury notes, investment pools and mutual funds. During the year ended June 30, 2004, the City's investments were only in these types of investments.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of June 30, 2004, the City's fair value in those pools and mutual funds were \$5,879,322.

	Category			Fair value amount
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of deposit	\$ 100,000	\$ 200,000	\$ -	\$ 300,000
U.S. government securities	-	284,800	-	284,800
	<u>\$ 100,000</u>	<u>\$ 484,800</u>	<u>\$ -</u>	<u>\$ 584,800</u>

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Investments—Continued**

The composition of pension trust fund investments at fair value is included in the previous paragraph and shown in the following table:

International stock funds	\$ 22,592
Managed domestic stock funds	352,288
Managed bonds funds	99,729
Participant loans	<u>2,367</u>
	<u>\$ 476,976</u>

Below is a summary of the combined balance sheet deposits and investments:

	<u>Deposit</u>	<u>Investments</u>	<u>Total</u>
Cash and investments	\$ 371,074	\$ 5,812,327	\$ 6,183,401
Restricted asset	<u>-</u>	<u>651,795</u>	<u>651,795</u>
Total deposits and investments	<u>\$ 371,074</u>	<u>\$ 6,464,122</u>	<u>\$ 6,835,196</u>

**3. Restricted Assets**

Restrictions are placed on assets by bond ordinance and City Council action. At June 30, 2004, restricted cash and investments in the enterprise funds and LDFA component unit are restricted as follows:

**Business-type activities**

Water Fund

Bond and Interest Redemption Fund	\$ 11,688
Bond Reserve Fund	<u>40,500</u>
	52,188

Sewer Fund

Bond and Interest Redemption Fund	17,711
Bond Reserve Fund	<u>57,500</u>
	<u>75,211</u>
	<u>\$ 127,399</u>

Component units

LDFA

Construction funds	<u>\$ 524,396</u>
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After meeting the operation and maintenance and bond and interest redemption requirements of the bond ordinances, all remaining revenues of the system are to be paid to the bond reserve accounts until a sum equal to the maximum annual debt service requirement on the bonds has been accumulated. These amounts were achieved by March 2004, as required. As of June 30, 2004, there was \$98,000 deposited into this account.

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 936,128	\$ -	\$ -	\$ 936,128
Construction in progress	<u>100,477</u>	<u>66,842</u>	<u>-</u>	<u>167,319</u>
Total capital assets, not being depreciated	<u>1,036,605</u>	<u>66,842</u>	<u>-</u>	<u>1,103,447</u>
<b>Capital assets, being depreciated:</b>				
Infrastructure	7,988,038	972,432	79,225	8,881,245
Buildings and other improvements	1,591,376	-	80,171	1,511,205
Land improvements	1,073,805	-	47,576	1,026,229
Equipment	<u>1,483,847</u>	<u>43,304</u>	<u>506,793</u>	<u>1,020,358</u>
Total capital assets, being depreciated	12,137,066	1,015,736	713,765	12,439,037
Less accumulated depreciation for:				
Infrastructure	3,086,230	376,809	66,731	3,396,308
Buildings and other improvements	677,869	42,110	80,171	639,808
Land improvements	659,770	52,050	47,576	664,244
Equipment	<u>1,079,151</u>	<u>87,231</u>	<u>502,501</u>	<u>663,881</u>
Total accumulated depreciation	<u>5,503,020</u>	<u>558,200</u>	<u>696,979</u>	<u>5,364,241</u>
Total capital assets, being depreciated, net	<u>6,634,046</u>	<u>457,536</u>	<u>16,786</u>	<u>7,074,796</u>
Capital assets, net	<u>\$ 7,670,651</u>	<u>\$ 524,378</u>	<u>\$ 16,786</u>	<u>\$ 8,178,243</u>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 349,643	\$ -	\$ -	\$ 349,643
Construction in progress	<u>-</u>	<u>200,624</u>	<u>-</u>	<u>200,624</u>
Total capital assets, not being depreciated	349,643	200,624	-	550,267
<b>Capital assets, being depreciated:</b>				
Plants and systems	8,351,305	66,726	14,810	8,403,221
Buildings and improvements	866,107	263,744	298	1,129,553
Land improvements	534,566	-	11,030	523,536
Equipment	<u>263,465</u>	<u>-</u>	<u>55,543</u>	<u>207,922</u>
Total capital assets, being depreciated	<u>10,015,443</u>	<u>330,470</u>	<u>81,681</u>	<u>10,264,232</u>

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE D—CAPITAL ASSETS—Continued**

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
<b>Business-type activities:—Continued</b>				
Less accumulated depreciation:				
Plants and systems	\$ 1,890,487	\$ 177,405	\$ 14,810	\$ 2,053,082
Building and improvements	643,931	15,346	298	658,979
Land improvements	239,296	10,141	11,030	238,407
Equipment	<u>142,512</u>	<u>18,077</u>	<u>55,543</u>	<u>105,046</u>
Total accumulated depreciated	<u>2,916,226</u>	<u>220,969</u>	<u>81,681</u>	<u>3,055,514</u>
Total capital assets, being depreciated, net	<u>7,099,217</u>	<u>109,501</u>	<u>-</u>	<u>7,208,718</u>
Capital assets, net	<u>\$ 7,448,860</u>	<u>\$ 310,125</u>	<u>\$ -</u>	<u>\$ 7,758,985</u>

**Government activities:**

**Depreciation**

Depreciation expense was charged to functions as follows:

General government	\$ 46,733
Public safety	93,524
Public works	345,105
Culture and recreation	1,583
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>71,255</u>
	<u>\$ 558,200</u>

**Business-type activities:**

**Depreciation**

Depreciation expense was charged to functions as follows:

Sewer	\$ 96,240
Water	110,367
Marina	<u>14,362</u>
	<u>\$ 220,969</u>

**Construction Commitments**

At June 30, 2004, the City had entered into various agreements for construction projects. Below is a summary of those agreements:

<u>Fund</u>	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining</u>
Sewer	Wastewater treatment plant	\$ 26,307	\$ 13,793
LDFA	Industrial park expansion	<u>485,040</u>	<u>221,413</u>
		<u>\$ 511,347</u>	<u>\$ 235,206</u>

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE D—CAPITAL ASSETS—Continued**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Component units:</b>				
<b>Capital assets, not being depreciated:</b>				
Tax Increment Finance Authority				
Land	\$ 145,568	\$ -	\$ -	\$ 145,568
Local Development Finance Authority				
Land	351,948	-	-	351,948
Construction in process	<u>155,001</u>	<u>66,887</u>	<u>-</u>	<u>221,888</u>
Total Local Development Finance Authority	<u>506,949</u>	<u>66,887</u>	<u>-</u>	<u>573,836</u>
Capital assets, net	<u>\$ 652,517</u>	<u>\$ 66,887</u>	<u>\$ -</u>	<u>\$ 719,404</u>

**NOTE E—ACCESS RIGHTS**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Sewer Fund				
Access rights (40 years)	\$ 1,466,156	\$ -	\$ -	\$ 1,466,156
Less accumulated amortization	<u>(826,835)</u>	<u>(30,761)</u>	<u>-</u>	<u>(857,596)</u>
Access rights, net of accumulated amortization	<u>\$ 639,321</u>	<u>\$ (30,761)</u>	<u>\$ -</u>	<u>\$ 608,560</u>

**NOTE F—BOND ISSUANCE COSTS**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>Business-type activities:</b>				
Sewer Fund				
Issuance costs (9 years)	\$ 11,370	\$ -	\$ -	\$ 11,370
Issuance costs (15 years)	14,200	-	-	14,200
Water Fund				
Issuance costs (12 years)	138,718	-	-	138,718
Issuance costs (15 years)	<u>9,992</u>	<u>-</u>	<u>-</u>	<u>9,992</u>
Total bond issuance costs	174,280	-	-	174,280

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE F—BOND ISSUANCE COSTS—Continued**

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2004</u>
<b>Business-type activities:</b>				
Less amortization				
Sewer Fund				
Issuance costs (9 years)	\$ 8,844	\$ 1,263	\$ -	\$ 10,107
Issuance costs (15 years)	2,840	947	-	3,787
Water Fund				
Issuance costs (12 years)	130,874	7,844	-	138,718
Issuance costs (15 years)	1,998	666	-	2,664
	<u>144,556</u>	<u>10,720</u>	<u>-</u>	<u>155,276</u>
Total bond issuance cost, net of accumulated amortization	\$ <u>29,724</u>	\$ <u>(10,720)</u>	\$ <u>-</u>	\$ <u>19,004</u>

**Amortization**

Amortization expense was charged to functions as follows:

Sewer	\$ 2,210
Water	<u>10,720</u>
	\$ <u>12,930</u>

**NOTE G—DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	City <u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due (debt service fund)	\$ 19,427	\$ -
Receivables	<u>-</u>	<u>10,957</u>
Total deferred/unearned revenue for governmental funds	\$ <u>19,427</u>	\$ <u>10,957</u>



City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE H—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances, caused by normal operation, is as follows:

***Due to/from other funds:***

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 20,043
Sewer Fund	Water Fund	33
Water Fund	Internal Service Fund	19,050
Internal Service Fund	Water Fund	<u>1,451</u>
		<u>\$ 40,577</u>

***Due from/to primary government and component units:***

<b>Primary government</b>		
General Fund - operational loan	\$ 10,000	\$ -
<b>Component unit</b>		
Brownfield - operational loan	-	<u>10,000</u>
	<u>\$ 10,000</u>	<u>\$ 10,000</u>

<u>Transfers in:</u>				
	<u>Street Improvement Fund</u>	<u>Other nonmajor funds</u>	<u>Total</u>	<u>Purpose</u>
<b>Transfers out:</b>				
General Fund	\$ 109,000	\$ 178,600	\$ 287,600	Public works
Street Improvement Fund	-	16,802	16,802	Public service
Nonmajor governmental funds	<u>80,685</u>	<u>80,266</u>	<u>160,951</u>	Public works and debt service
Total	<u>\$ 189,685</u>	<u>\$ 275,668</u>	<u>\$ 465,353</u>	

***Component unit transfer:***

During the year the TIFA and LDFA contributed significant amounts to the City as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>
<b>Capital activities</b>		
TIFA	\$ 120,650	\$ 162,089
LDFA	167,319	194,442
<b>Operating activities</b>		
TIFA	201,798	-
LDFA	79,083	-

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE I—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2004.

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Due within one year
<b>Governmental activities:</b>					
General obligation bonds	\$ 500,000	\$ -	\$ 50,000	\$ 450,000	\$ 55,000
Installment purchase agreements	223,456	-	22,864	200,592	23,000
Compensated absences	<u>173,099</u>	<u>54,029</u>	<u>-</u>	<u>227,128</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 896,555</u>	<u>\$ 54,029</u>	<u>\$ 72,864</u>	<u>\$ 877,720</u>	<u>\$ 78,000</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 1,488,381	\$ -	\$ 217,251	\$ 1,271,130	\$ 119,667
Installment purchase bonds	21,334	-	5,334	16,000	5,333
Compensated absences	<u>53,234</u>	<u>-</u>	<u>12,738</u>	<u>40,496</u>	<u>-</u>
	<u>\$ 1,562,949</u>	<u>\$ -</u>	<u>\$ 235,323</u>	<u>\$ 1,327,626</u>	<u>\$ 125,000</u>
<b>Component units:</b>					
TIFA (Limited tax development bonds)	\$ 920,000	\$ -	\$ 220,000	\$ 700,000	\$ 175,000
LDFA (Limited tax development bonds)	<u>50,000</u>	<u>695,000</u>	<u>50,000</u>	<u>695,000</u>	<u>65,000</u>
	<u>\$ 970,000</u>	<u>\$ 695,000</u>	<u>\$ 270,000</u>	<u>\$ 1,395,000</u>	<u>\$ 240,000</u>
<b>Governmental activities:</b>					
<b>General obligation bonds:</b>					
\$310,000 Limited Tax General Obligation Special Assessment Bonds of 1990 with final installment of \$25,000 due April 2005; interest at 7.3%				\$ 25,000	
Michigan Department of Transportation loan in annual installments of \$30,000 to \$50,000 through April 2015; interest at rates varying from 5.25% to 5.55%				425,000	
<b>Installment purchase agreements:</b>					
Note payable to bank due in monthly installments of \$658, including interest through September 2009; interest at 6.61%				35,853	
Note payable to bank due in monthly installments starting March 2002 through March 2012 of \$2,216, including interest at 5.95%				<u>164,739</u> 650,592	
Compensated absences				<u>227,128</u>	
				<u>\$ 877,720</u>	

City of Whitehall  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

	<u>Balance June 30, 2004</u>
<b>Business-type activities:</b>	
<b>Revenue bonds:</b>	
Muskegon County Wastewater Management System No. 1 refunding bonds of 1996 due in annual installments of \$48,897 to \$47,850 through July 2005; interest at rates varying from 5.1% to 5.7%	\$ 96,747
Muskegon County Wastewater Management System No. 1 refunding of 2002 due in annual installments of \$4,656 to \$60,631 through July 2008; plus interest rates varying from 1.8% to 5%	194,382
Water Supply System Revenue Bonds of 2000 due in annual installments of \$25,000 to \$50,000 through April 2015, interest at rates varying from 5.25% to 5.5%	405,000
Sanitary Sewer System Revenue Bonds of 2000 due in annual installments of \$40,000 to \$70,000 through April 2015; interest at rates varying from 5.25% to 5.55%	575,000
<b>Installment purchase agreements:</b>	
Note payable to bank due in annual installments of \$5,333 plus interest; final payment due May 2007, interest at 5.7%	<u>16,000</u> 1,287,129 40,496
Compensated absences	<u>\$ 1,327,625</u>
<b>Component units:</b>	
<b>General obligation bonds:</b>	
Tax Increment Financing Authority \$620,000 Limited Tax Development Bonds of 1990 with final payment of \$100,000 due April 2005; interest at 7.3%	\$ 100,000
Tax Increment Financing Authority \$800,000 Limited Tax Development Bonds of 2001 due in annual installments of \$75,000 to \$95,000 through February 2011; interest at rates varying from 3.7% to 4.6%	600,000
Local Development Finance Authority \$695,000 Tax Increment Development Bonds of 2004 due in annual installments of \$65,000 to \$80,000 through February 2014; interest at rates varying from 1.65% to 3.95%	<u>695,000</u> <u>\$ 1,395,000</u>

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

The general obligation bonds are backed by the full faith and credit of the City.

The 1996 and 2002 County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The City has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 10 years. The contractual obligation is secured by the full faith and credit of the City. Current debt service requirements are funded by sewer revenues.

The 1996 and 2002 County of Muskegon wastewater contracts payable and the 2000 Water Supply revenue bonds are payable solely from the net revenues of the sewer and water supply directing the City to create funds restricted for use in the construction project and in debt service. Assets so restricted are detailed in note C3.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2004.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2004 follows:

Year ending June 30, 2004	Governmental activities		Business-type activities		Component units	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 78,000	\$ 37,117	\$ 128,162	\$ 68,548	\$ 240,000	\$ 51,489
2006	54,531	31,470	125,000	62,096	145,000	43,198
2007	55,976	28,458	142,126	53,996	145,000	38,745
2008	62,610	25,249	136,211	46,680	150,000	33,840
2009	64,348	21,674	145,631	39,697	155,000	28,365
2010-2014	286,228	57,012	490,000	119,255	560,000	56,038
2015	<u>50,000</u>	<u>3,050</u>	<u>120,000</u>	<u>7,185</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 651,693</u>	<u>\$ 204,030</u>	<u>\$ 1,287,130</u>	<u>\$ 397,457</u>	<u>\$ 1,395,000</u>	<u>\$ 251,675</u>

City of Whitehall  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE J—OTHER INFORMATION**

**1. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**2. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**3. Post-Retirement Health Care**

The City has agreed to provide post-retirement health care to certain full-time employees after they reach age 55 and have 15 years of service or age 60 and have 10 years of service. The City will pay 100 percent of the non-union employee's premium and 80 percent of the union employee's premium after 20 years of employment.

As of year end, there was one retired employee receiving benefits. The City finances the Plan on a pay-as-you-go basis. For the year ended June 30, 2004, the City's post-retirement health care cost under the Plan was approximate \$2,400.

**4. Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**5. Commitments**

The City has various contract agreements for projects and grant commitments as of June 30, 2004 of approximately \$237,000. The City has also entered into an additional \$500,000 in contracts since June 30, 2004. These costs are being financed by grants and contributions from TIFA.

City of Whitehall  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE J—OTHER INFORMATION—Continued**

**6. Jointly Governed Organization**

The City, in conjunction with other governmental entities, created the White Lake Solid Waste Authority (WLSWA) to operate a solid waste transfer station, the White Lake Ambulance Authority (WLAA) to provide ambulance services, the White Lake Fire Authority (WLFA) to provide fire protection and rescue services, and the White Lake Community Library (WLCL) to provide an area library.

The boards of the Authorities are comprised of one or two members from each participating entity. The WLSWA and WLAA boards annually assess participating entities in projected amounts required to subsidize the Authorities' annual operations. For the year ended June 30, 2004, the City's assessment for WLAA was \$33,385. WLFA and WLCL are funded through a property tax levy. Audited financial statements are available from the Authorities. There was no assessment for WLSWA for the year ended June 30, 2004.

**NOTE K—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**1. Pension Plan**

*Plan Description.* The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the City. A copy of the complete financial report and required supplemental information can be obtained by writing to:

City of Whitehall  
401 Colby Street  
Whitehall, MI 49461

*Funding Policy.* City employees are required to contribute 3 to 5 percent to the Plan depending on employee contract. The City is required to contribute at an actuarially-determined rate depending upon position from 0.81 to 13.88 percent of covered wages.

*Annual Pension Cost.* For the year ended June 30, 2004, the City's annual pension cost was approximately \$46,000 which the City contributed. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

City of Whitehall  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE K—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued**

**1. Pension Plan—Continued**

**Three-Year Trend Information**

<u>Year ending</u>	<u>Approximate Annual Pension Cost (APC)</u>	<u>Percent of APC contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$43,000	100%	\$ -
6/30/03	34,000	100	-
6/30/04	46,000	100	-

**REQUIRED SUPPLEMENTARY INFORMATION**  
*Schedule of Funding Progress*

*(Dollars amounts in thousands)*

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
12/31/01	\$2,768	\$2,712	\$ (56)	102%	\$ 993	(5.6)%
12/31/02	2,798	2,953	155	95	1,000	15.5
12/31/03	2,927	3,133	206	93	986	20.9

**2. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

**NOTE L—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 21 percent of General Fund revenues.

The City has a significant economic dependence on a local corporation that is a major employer, taxpayer, and user of water and sewer services. The following is the percentage of taxes and utilities paid by the corporation.

Real and personal property taxes	44%
Water and sewer accounts receivable	69%
Water and sewer billings	69%

**REQUIRED SUPPLEMENTAL INFORMATION**



City of Whitehall  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended June 30, 2004

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 1,006,500	\$ 1,011,000	\$ 1,015,432	\$ 4,432
Licenses and permits	21,500	17,900	18,570	670
Intergovernmental revenues	649,058	654,771	637,220	(17,551)
Charges for services	77,341	77,341	62,492	(14,849)
Fines and forfeitures	11,800	11,550	14,057	2,507
Investment earnings	28,000	17,000	18,705	1,705
Other	1,000	5,000	6,964	1,964
Total revenues	1,795,199	1,794,562	1,773,440	(21,122)
<b>EXPENDITURES</b>				
Current				
General government	480,195	477,145	428,468	(48,677)
Public safety	726,831	754,831	660,321	(94,510)
Public works	139,010	142,005	116,189	(25,816)
Health and sanitation	18,030	28,030	30,117	2,087
Community and economic development	35,525	22,055	18,512	(3,543)
Culture and recreation	120,105	132,705	121,604	(11,101)
Other governmental functions	13,110	13,110	9,656	(3,454)
Debt service				
Principal	6,686	6,686	6,612	(74)
Interest and fees	2,544	2,544	2,617	73
Capital outlay	35,050	33,700	30,747	(2,953)
Total expenditures	1,577,086	1,612,811	1,424,843	(187,968)
Excess of revenues over (under) expenditures	218,113	181,751	348,597	166,846
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	4,700	4,722	22
Transfers out	(299,555)	(326,970)	(287,600)	39,370
Total other financing sources (uses)	(299,555)	(322,270)	(282,878)	39,392
Net change in fund balance	\$ (81,442)	\$ (140,519)	65,719	\$ 206,238
Fund balances at July 1, 2003			826,211	
Fund balances at June 30, 2004			\$ 891,930	

City of Whitehall  
**BUDGETARY COMPARISON SCHEDULE**  
 Street Improvement Fund  
 For the year ended June 30, 2004

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues - local	\$ 76,000	\$ 126,831	\$ 287,969	\$ 161,138
Investment earnings	1,000	100	132	32
Total revenues	77,000	126,931	288,101	161,170
 <b>EXPENDITURES</b>				
Capital outlay	301,770	390,940	547,311	156,371
Excess of revenues over (under) expenditures	(224,770)	(264,009)	(259,210)	4,799
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	125,770	189,685	189,685	-
Transfers out	(16,805)	(16,805)	(16,802)	3
Total other financing sources (uses)	108,965	172,880	172,883	3
Net change in fund balances	\$ <u>(115,805)</u>	\$ <u>(91,129)</u>	(86,327)	\$ <u>4,802</u>
 Fund balances at July 1, 2003			91,938	
Fund balances at June 30, 2004			\$ <u>5,611</u>	

**OTHER SUPPLEMENTAL INFORMATION**

City of Whitehall  
BALANCE SHEET  
Other Governmental Funds  
June 30, 2004

	Total other governmental funds	Special revenue funds						Capital projects funds				Debt service funds		Permanent Fund Cemetery Care Fund
		Leaf Removal and Disposal	Central Business District Improvement #1	Major Street	Local Street	Building Inspection	Sidewalk Improvement	Mill Pond Construction	Capital Improvements	Public Improvement	Downtown Powerline Construction	2000 Michigan Department of Transportation	Special Assessment Debt Service	
ASSETS														
Cash and investments	\$ 898,843	\$ 4,194	\$ 27,839	\$ 124,916	\$ 145,344	\$ 10,784	\$ 40	\$ 80,597	\$ 69,155	\$ 14,473	\$ 83,378	\$ -	\$ -	\$ 338,123
Special assessments	19,427	-	19,427	-	-	-	-	-	-	-	-	-	-	-
Due from other governmental units	46,222	-	-	34,703	11,519	-	-	-	-	-	-	-	-	-
Total assets	\$ 964,492	\$ 4,194	\$ 47,266	\$ 159,619	\$ 156,863	\$ 10,784	\$ 40	\$ 80,597	\$ 69,155	\$ 14,473	\$ 83,378	\$ -	\$ -	\$ 338,123
LIABILITIES AND FUND BALANCES														
Liabilities														
Accounts payable	\$ 496	\$ -	\$ -	\$ 291	\$ 170	\$ 35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	2,492	23	-	1,253	1,015	201	-	-	-	-	-	-	-	-
Deferred revenue	19,427	-	19,427	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	22,415	23	19,427	1,544	1,185	236	-	-	-	-	-	-	-	-
Fund balances														
Reserved for:														
Capital projects	247,603	-	-	-	-	-	-	80,597	69,155	14,473	83,378	-	-	-
Perpetual care	338,123	-	-	-	-	-	-	-	-	-	-	-	-	338,123
Unreserved	356,351	4,171	27,839	158,075	155,678	10,548	40	-	-	-	-	-	-	-
Total fund balances	942,077	4,171	27,839	158,075	155,678	10,548	40	80,597	69,155	14,473	83,378	-	-	338,123
Total liabilities and fund balances	\$ 964,492	\$ 4,194	\$ 47,266	\$ 159,619	\$ 156,863	\$ 10,784	\$ 40	\$ 80,597	\$ 69,155	\$ 14,473	\$ 83,378	\$ -	\$ -	\$ 338,123

City of Whitehall  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)**  
Other Governmental Funds  
For the year ended June 30, 2004

		Special revenue funds						Capital projects funds				Debt service funds		Permanent Fund
	Total other governmental funds	Leaf Removal and Disposal	Central Business District Improvement #1	Major Street	Local Street	Building Inspection	Sidewalk Improvement	Mill Pond Construction	Capital Improvements	Public Improvement	Downtown Powerline Construction	2000 Michigan Department of Transportation	Special Assessment Debt Service	Cemetery Care Fund
REVENUES														
Intergovernmental revenues														
State	\$ 285,431	\$ -	\$ -	\$ 205,906	\$ 79,525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local	22,574	-	22,574	-	-	-	-	-	-	-	-	-	-	-
Charges for services	47,470	-	-	-	-	33,720	-	-	-	-	-	-	-	13,750
Investment earnings	15,567	72	241	767	632	72	12	235	442	152	533	-	-	12,409
Other	7,902	502	-	-	-	-	-	-	-	7,400	-	-	-	-
Total revenues	378,944	574	22,815	206,673	80,157	33,792	12	235	442	7,552	533	-	-	26,159
EXPENDITURES														
Current														
Public safety	25,960	-	-	-	-	25,960	-	-	-	-	-	-	-	-
Public works	294,058	63,774	-	128,211	102,073	-	-	-	-	-	-	-	-	-
Debt service														
Principal	66,254	-	-	-	-	-	-	-	-	16,254	-	25,000	25,000	-
Interest and fees	39,100	-	-	-	-	-	-	-	-	10,332	-	24,418	4,350	-
Capital outlay	7,860	-	-	-	-	-	-	7,860	-	-	-	-	-	-
Total expenditures	433,232	63,774	-	128,211	102,073	25,960	-	7,860	-	26,586	-	49,418	29,350	-
Excess of revenues over (under) expenditures	(54,288)	(63,200)	22,815	78,462	(21,916)	7,832	12	(7,625)	442	(19,034)	533	(49,418)	(29,350)	26,159
OTHER FINANCING SOURCES (USES)														
Operating transfers in	275,668	68,600	-	-	70,300	-	7,500	50,500	-	-	-	49,418	29,350	-
Operating transfers out	(160,951)	-	(29,350)	(112,735)	(11,366)	-	(7,500)	-	-	-	-	-	-	-
Total other financing sources (uses)	114,717	68,600	(29,350)	(112,735)	58,934	-	-	50,500	-	-	-	49,418	29,350	-
Net change in fund balances	60,429	5,400	(6,535)	(34,273)	37,018	7,832	12	42,875	442	(19,034)	533	-	-	26,159
Fund balances (deficits) at July 1, 2003	881,648	(1,229)	34,374	192,348	118,660	2,716	28	37,722	68,713	33,507	82,845	-	-	311,964
Fund balances at June 30, 2004	\$ 942,077	\$ 4,171	\$ 27,839	\$ 158,075	\$ 155,678	\$ 10,548	\$ 40	\$ 80,597	\$ 69,155	\$ 14,473	\$ 83,378	\$ -	\$ -	\$ 338,123

**STATISTICAL SECTION (UNAUDITED)**

City of Whitehall  
**SCHEDULE OF OPERATING STATISTICS**  
For the ten years ended June 30  
(Unaudited)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>Tax levy and millages</b>										
Estimated population	2,884	2,884	2,884	2,884	3,027	3,027	3,027	3,027	3,027	3,027
State equalized valuation										
City total	\$ 101,095,154	\$ 99,941,443	\$ 92,307,236	\$ 87,605,217	\$ 86,596,278	\$ 82,616,153	\$ 77,758,250	\$ 71,723,249	\$ 68,238,725	\$ 66,100,300
Per resident	35,054	34,654	32,007	30,376	28,608	27,293	25,688	23,694	22,543	21,837
Tax levy (mills)										
General Fund	13.219	13.219	13.219	13.219	13.358	14.018	13.50	13.35	14.75	15.00
<b>Tax levy—amounts</b>										
Total levy	\$ 1,336,377	\$ 1,321,126	\$ 1,220,202	\$ 1,158,046	\$ 1,156,753	\$ 1,158,113	\$ 1,049,737	\$ 957,506	\$ 1,002,404	\$ 991,505
Per resident	463.38	458.09	423.09	401.54	382.15	382.59	346.79	316.32	331.15	327.55
<b>State shared revenues</b>										
Total amount	\$ 603,929	\$ 607,093	\$ 640,490	\$ 682,673	\$ 686,772	\$ 662,591	\$ 657,322	\$ 653,616	\$ 562,469	\$ 553,873
Per resident	209.41	210.50	222.08	236.71	226.89	218.89	217.15	215.93	185.82	182.98
<b>Federal shared revenues</b>										
Total amount	\$ 225,407	\$ 6,250	\$ 25,517	\$ 638,407	\$ 2,049,179	\$ 164,643	\$ 35,000	\$ -	\$ 3,480	\$ 5,476
Per resident	78.16	2.17	8.84	221.36	676.97	54.39	11.56	-	1.15	1.81
<b>Total revenue—General Fund</b>										
Amount	\$ 1,778,162	\$ 1,766,576	\$ 1,793,793	\$ 1,647,413	\$ 1,580,737	\$ 1,509,145	\$ 1,348,564	\$ 1,374,410	\$ 1,378,740	\$ 1,363,865
Per resident	616.56	612.54	621.98	571.22	522.22	498.56	445.51	454.05	455.48	450.57
<b>Total expenditures—General Fund</b>										
Amount	\$ 1,712,443	\$ 1,845,898	\$ 1,727,770	\$ 1,474,719	\$ 1,461,157	\$ 1,324,965	\$ 1,215,936	\$ 1,204,048	\$ 1,141,767	\$ 1,077,361
Per resident	593.77	640.05	599.08	511.34	482.71	437.71	401.70	397.77	377.19	355.92

2003 Current real and personal property taxes were assessed and collected as detailed below:

Unit	Levy	Collected	Delinquent	Percent collected
City	\$ 1,336,369	1,336,344	33	
School	2,808,756	2,808,672	84	
County	909,760	909,738	22	
Library	116,253	116,250	3	
Fire Authority	145,609	145,605	4	
	<u>\$ 5,316,747</u>	<u>\$ 5,316,609</u>	<u>\$ 146</u>	<u>99.9 %</u>

City of Whitehall  
**COMPARATIVE OPERATING STATISTICS**  
**WATER AND SEWER SYSTEM**  
For the five years ended June 30  
(Unaudited)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Population served	2,884	2,884	2,884	2,884	3,027
Average number of meters in service	1,274	1,246	1,284	1,282	1,253
M. gallons pumped to main	390,293	389,188	397,396	397,020	382,448
M. gallons sold	364,611	365,705	369,681	328,702	314,867
M. gallons water line loss	25,682	23,483	27,715	68,318	67,581
Loss percent to total pumpage	6.6 %	6.0 %	7.0 %	17.2 %	17.7 %
Revenues from sales					
Water	\$ 692,830	\$ 713,959	\$ 723,439	\$ 661,478	\$ 663,786
Sewer	724,480	716,075	755,720	715,334	644,591
Average number of customers	1,150	1,143	1,169	1,195	1,166